Ba-Phalaborwa Local Municipality
Annual Financial Statements
for the year ended 30 June 2017

Published 31 August 2017

General Information

Nature of business and principal activities	Local government institution in the Mopani District, Limpopo
Mayoral committee	Names
Mayor	Cllr.PJ Shayi
	Cllr.MM Malatji - Speaker
	Cllr.E Hlungwane - Chief Whip
	Cllr.IF Mpenyane - Member of Exco before elections
	Cllr. SL Mohlala - Member of Exco.
	Cllr. T Nkuna - Member of Exco
	Cllr. MS Magomane - Member of Exco
	Cllr. SR De Beer - Member of Exco
	Cllr. MM Malesa - Member of Exco
	Cllr. AN Mmola - Member of Exco
Councillors	Cllr. KO Pilusa - MPAC Chairperson
	Cllr. NA Sono - Mayor before elections
	Cllr.KS Malatji - Member of Exco before elections
	Cllr.MD Maake - Speaker before elections
	Cllr. KA Peta - Member of Exco before elections
	Cllr. R Makasela
	Cllr. KA Peta
	Cllr. KP Mhlarhi KP
	Cllr. ST Mkanzi
	Cllr. B Ramothwala
	Cllr. NJ Mampuru
	Cllr. Z Ndlovu
	Cllr. ME Mokgalaka
	Cllr. EA Mokoena
	Cllr. PK Mashego
	Cllr.SP Mashumu
	Cllr. LM Matlala
	Cllr. VM Rapatsa
	Cllr. TC Malatjie
	Cllr. PS Dikgale
	Cllr. TS Ndlovu
	Cllr. GH Lamola
	Cllr. A Ngobeni
	Cllr. Williamson MRS
	Cllr. SM Shayi
	Cllr. Bayana DR
	Cllr. Mathebula MMA
	Cllr. RJ Mphogo
	Cllr. NB Maake
	Cllr. MJ Valoyi
	Cllr. SK Shai
	Cllr. VP Mapanzela (Resigned)
	Cllr.D.M Rapatsa (Resigned)
	Cllr. M.V Mathebula (Resigned)
	Cllr. TM Malobane (Resigned)
	Cllr. O Makwala (Resigned)
	Cllr. SR Nkuna (Resigned)

General Information

	Cllr.PS Mthobeni (Resigned) Cllr.HS Booysen (Resigned) Cllr.JG Mashele (Resigned) Cllr.MR Monareng (Resigned) Cllr.MP Kgoete (Resigned) Cllr.G Fleming (Resigned) Cllr.TG Malatji (Resigned) Cllr. M.R Popela (Resigned) Cllr.PG Mabilo (Resigned) Cllr.KE Mahomane (Resigned) Cllr.MG Malesa (Resigned) Cllr.BR Mashale (Resigned) Cllr.KA Otto (Resigned) Cllr.MS Chauke (Resigned) Cllr.MS Mokgalaka (Resigned) Hosi. M Ntsanwisi Ksoshi MA Malatji Kgoshi T Malatji Makgoshi MC Shai
Accounting Officers	Moakamela MI
Registered office	Civic Centre, Nelson Mandela Drive Phalaborwa 1390
Business address	Civic Centre Nelson Mandela Drive Phalaborwa 1390
Postal address	Ba-Phalaborwa Municipality Private Bag 01020 Phalaborwa 1390
Auditors	Auditor-General - South Africa
Attorneys	Chidi Attorneys Masengane Ke Attorneys Isaiah Nyathi Attorneys Thomas & Swanepoel Inc Mathonsi Attorneys Sikhitha Danils & Associates Ngcingwana Inc Bernhard Van Der Hoven Gerhard Wagenaar Rapela Inc Attorneys

General Information

Audit Committee	Chairperson: Ravhudzulo KP CA (SA) Member :Mbonambi KG Member and Chairperson of ICT steering committee Hlomane HG Member Advocate Thubakgale L Member and Chairperson of Risk Management Steering committee Mangoma L

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Financial Management Grant
CA (SA)	Chartered Accountant South Africa
AGSA	Auditor General South Africa

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledge that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external.

The annual financial statements set out on pages 6 to 73, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

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Accounting Officer
Ms MI Moakamela

Phalaborwa

31 August 2017

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

Net deficit of the municipality was R 208 847 950 (2016: surplus R 76 247 380).

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated deficits of R 764 609 151 and that the municipality's total assets exceed its liabilities by R 802 681 593.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Accounting policies

The annual financial statements are prepared in accordance with Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality	Changes
Moakamela MI	South African	Appointed 01 January 2017
Dr Sebashe SS	South African	Resigned 31 December 2016

Accounting Officer's Report

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Audit and risk committee

The municipality has its own independent Audit Committee with effect from July 2015, in line with the provisions of section 166 of the Municipal Finance Management Act.

Internal audit

The municipality has its own internal audit unit, headed by Miss Makhongela, the Deputy Director :Internal Audit services.

6. Bankers

The municipality's primary bankers are Standard Bank of South Africa Limited.

7. Auditors

Auditor-General - South Africa will continue in office for the next financial period.

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Annual Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	8	336 546 610	336 451 731
Receivables from exchange transactions	51	27 552 425	94 013 912
Receivables from non-exchange transactions	52	52 275 322	102 135 156
VAT receivable	10	8 432 687	16 300 017
Cash and cash equivalents	11	17 028 227	11 069 072
		441 835 271	**559 969 888**
Non-Current Assets			
Biological assets that form part of an agricultural activity	3	125 331	266 663
Investment property	4	43 054 720	43 857 999
Property, plant and equipment	6	854 719 991	910 894 532
Intangible assets	5	855 371	1 285 208
Heritage assets	7	317 000	317 000
		899 072 413	**956 621 402**
Total Assets		**1 340 907 684**	**1 516 591 290**
Liabilities			
Current Liabilities			
Other financial liabilities	12	20 400 000	20 400 000
Finance lease obligation	13	152 995	312 317
Operating lease liability	9	185 294	185 294
Payables from exchange transactions	17	255 082 729	215 421 344
Consumer deposits	19	4 085 207	2 040 256
Unspent conditional grants and receipts	16	785 867	1 943 225
		280 692 092	**240 302 436**
Non-Current Liabilities			
Other financial liabilities	12	136 700 000	146 900 000
Finance lease obligation	13	-	272 389
Employee benefit obligation	14	41 984 000	43 304 000
Provisions	15	78 869 999	74 274 683
		257 533 999	**264 751 072**
Total Liabilities		**538 226 091**	**505 053 508**
Net Assets		**802 681 593**	**1 011 537 782**
Reserves			
Revaluation reserve		38 072 442	38 080 701
Accumulated surplus		764 609 151	973 457 081
Total Net Assets		**802 681 593**	**1 011 537 782**

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	21	108 144 270	108 147 928
Rental of facilities and equipment	22	344 564	380 911
Agency services		12 738 962	5 676 019
Licences and permits		2 417 209	3 525 423
Sale of municipal land		1 491 368	2 591 087
Other income	24	1 999 845	1 555 108
Interest received	25	20 541 125	33 197 280
Total revenue from exchange transactions		**147 677 343**	**155 073 756**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	90 683 224	68 105 690
Transfer revenue			
Government grants & subsidies	27	143 068 431	167 887 383
Public contributions and donations		3 017 000	-
Fines, penalties and forfeits		313 163	3 359 890
Donations received		-	18 104
Other transfer revenue		199 209	1 306 493
Total revenue from non-exchange transactions		**237 281 027**	**240 677 560**
Total revenue	20	**384 958 370**	**395 751 316**
Expenditure			
Employee related costs	28	(120 135 387)	(118 246 136)
Remuneration of councilors	29	(13 159 661)	(13 243 062)
Audit committee fees		(889 772)	(892 103)
Depreciation and amortisation		(100 228 117)	(61 910 687)
Impairment loss	30	(184 071 168)	(66 128 042)
Finance costs	31	(320 152)	(1 214 925)
Repairs and maintenance		(6 416 128)	(13 816 261)
Bulk purchases	32	(81 354 073)	(74 560 364)
Contracted services	33	(32 211 303)	(30 486 613)
Cost of land inventory sold		-	(3 390 000)
General expenses	37	(54 075 948)	(53 100 519)
Total expenditure		**(592 861 709)**	**(436 988 712)**
Operating deficit	35	**(207 903 339)**	**(41 237 396)**
Fair value adjustments	36	(944 611)	737 321
Deficit for the year		**(208 847 950)**	**(40 500 075)**

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2015	**54 463 703**	**1 013 957 156**	**1 068 420 859**
Changes in net assets			
Fair value gains, net of tax: Land and buildings	316 998	-	316 998
Revaluation of XXX	(16 700 000)	-	(16 700 000)
Net income (losses) recognised directly in net assets	(16 383 002)	-	(16 383 002)
Surplus for the year	-	(40 500 075)	(40 500 075)
Total recognised income and expenses for the year	(16 383 002)	(40 500 075)	(56 883 077)
Total changes	(16 383 002)	(40 500 075)	(56 883 077)
Restated* Balance at 01 July 2016	**38 080 701**	**973 457 101**	**1 011 537 802**
Changes in net assets			
Deficit for the year	-	(208 847 950)	(208 847 950)
Other 1	(8 259)	-	(8 259)
Total changes	(8 259)	(208 847 950)	(208 856 209)
Balance at 30 June 2017	**38 072 442**	**764 609 151**	**802 681 593**

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Agency fees		12 738 962	5 676 019
Service revenue		108 144 270	108 147 928
Net cash flow from operating activites		5 252 986	8 052 529
Interest income		20 541 125	33 197 280
Grants		143 068 431	167 887 383
Other cash item		94 212 596	72 790 177
		383 958 370	395 751 316
Payments			
Employee costs		(133 295 048)	(131 489 198)
Suppliers and other payments		(252 884 037)	(359 463 080)
		(386 179 085)	(490 952 278)
Net cash flows from operating activities	38	**(2 220 715)**	**(95 200 962)**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(48 040 707)	(83 810 463)
Purchases of heritage assets	7	(317 000)	-
Other cash item		67 489 440	194 408 652
Net cash flows from investing activities		**19 131 733**	**110 798 189**
Cash flows from financing activities			
Repayment of other financial liabilities		(10 200 000)	(6 800 000)
Finance lease payments		(431 711)	240 939
Finance costs		(320 152)	(1 214 925)
Net cash flows from financing activities		**(10 951 863)**	**(7 773 986)**
Net increase/(decrease) in cash and cash equivalents		**5 959 155**	**7 823 241**
Cash and cash equivalents at the beginning of the year		11 069 072	3 245 831
Cash and cash equivalents at the end of the year	11	**17 028 227**	**11 069 072**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	133 683 465	-	133 683 465	108 144 270	(25 539 195)	
Rental of facilities and equipment	469 935	-	469 935	344 564	(125 371)	
Agency services	2 538 653	-	2 538 653	12 738 962	10 200 309	
Licences and permits	11 205 291	-	11 205 291	2 417 209	(8 788 082)	
Sale of Municipal land	-	-	-	1 491 368	1 491 368	
Other income	1 627 624	-	1 627 624	1 999 845	372 221	
Interest received - investment	76 548 085	(4 000 000)	72 548 085	20 541 125	(52 006 960)	
Total revenue from exchange transactions	226 073 053	(4 000 000)	222 073 053	147 677 343	(74 395 710)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	106 775 526	-	106 775 526	90 683 224	(16 092 302)	
Transfer revenue						
Government grants & subsidies	143 613 000	-	143 613 000	143 068 431	(544 569)	
Public contributions and donations	-	-	-	3 017 000	3 017 000	
Fines, Penalties	423 415	-	423 415	313 163	(110 252)	
Other transfer revenue	-	-	-	199 209	199 209	
Total revenue from non-exchange transactions	250 811 941	-	250 811 941	237 281 027	(13 530 914)	
Total revenue	476 884 994	(4 000 000)	472 884 994	384 958 370	(87 926 624)	
Expenditure						
Personnel	(129 304 133)	(3 323 270)	(132 627 403)	(120 135 387)	12 492 016	
Remuneration of councillors	(13 784 169)	-	(13 784 169)	(13 159 661)	624 508	
Audit committe fees	-	-	-	(889 772)	(889 772)	
Depreciation and amortisation	(66 899 421)	1 000 000	(65 899 421)	(100 228 117)	(34 328 696)	
Impairment loss/ Reversal of impairments	-	-	-	(184 071 168)	(184 071 168)	
Finance costs	(1 519 033)	800 000	(719 033)	(320 152)	398 881	
Debt Impairment	(35 525 076)	-	(35 525 076)	-	35 525 076	
Repairs and maintenance	(20 448 443)	1 269 300	(19 179 143)	(6 416 128)	12 763 015	
Bulk purchases	(92 258 921)	-	(92 258 921)	(81 354 073)	10 904 848	
Contracted Services	(50 055 359)	6 253 480	(43 801 879)	(32 211 303)	11 590 576	
General Expenses	(66 560 503)	(173 896)	(66 734 399)	(54 075 948)	12 658 451	
Total expenditure	(476 355 058)	5 825 614	(470 529 444)	(592 861 709)	(122 332 265)	
Operating deficit	529 936	1 825 614	2 355 550	(207 903 339)	(210 258 889)	
Fair value adjustments	-	-	-	(944 611)	(944 611)	
Deficit before taxation	529 936	1 825 614	2 355 550	(208 847 950)	(211 203 500)	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**529 936**	**1 825 614**	**2 355 550**	**(208 847 950)**	**(211 203 500)**	

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	106 775 526	-	106 775 526	-		106 775 526	90 683 224		(16 092 302)	85 %	85 %
Service charges	133 683 465	-	133 683 465	-		133 683 465	108 144 270		(25 539 195)	81 %	81 %
Interest earned	76 548 085	(4 000 000)	72 548 085	-		72 548 085	20 541 125		(52 006 960)	28 %	27 %
Transfers recognised - operational	114 153 000	(108 000)	114 045 000	-		114 045 000	143 068 431		29 023 431	125 %	125 %
Other own revenue	16 264 919	-	16 264 919	-		16 264 919	19 504 320		3 239 401	120 %	120 %
Total revenue (excluding capital transfers and contributions)	**447 424 995**	**(4 108 000)**	**443 316 995**	**-**		**443 316 995**	**381 941 370**		**(61 375 625)**	**86 %**	**85 %**
Employee costs	(129 304 133)	(3 323 270)	(132 627 403)	-	-	(132 627 403)	(120 135 387)	-	12 492 016	91 %	93 %
Remuneration of councillors	(13 784 169)	-	(13 784 169)	-	-	(13 784 169)	(13 159 661)	-	624 508	95 %	95 %
Debt impairment	(35 525 076)	-	(35 525 076)			(35 525 076)	-	-	35 525 076	- %	- %
Depreciation and asset impairment	(66 899 421)	1 000 000	(65 899 421)			(65 899 421)	(284 299 285)	-	(218 399 864)	431 %	425 %
Finance charges	(1 519 033)	800 000	(719 033)	-	-	(719 033)	(320 152)	-	398 881	45 %	21 %
Materials and bulk purchases	(92 258 921)	-	(92 258 921)	-	-	(92 258 921)	(81 354 073)	-	10 904 848	88 %	88 %
Other expenditure	(137 064 305)	7 348 884	(129 715 421)	-	-	(129 715 421)	(94 537 762)	-	35 177 659	73 %	69 %
Total expenditure	**(476 355 058)**	**5 825 614**	**(470 529 444)**	**-**	**-**	**(470 529 444)**	**(593 806 320)**	**-**	**(123 276 876)**	**126 %**	**125 %**
Surplus/(Deficit)	**(28 930 063)**	**1 717 614**	**(27 212 449)**	**-**		**(27 212 449)**	**(211 864 950)**		**(184 652 501)**	**779 %**	**732 %**

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Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	29 460 000	108 000	29 568 000	-		29 568 000	-		(29 568 000)	- %	- %
Contributions recognised - capital and contributed assets	-	-	-	-		-	3 017 000		3 017 000	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**529 937**	**1 825 614**	**2 355 551**	-		**2 355 551**	**(208 847 950)**		**(211 203 501)**	**(8 866)%**	**(39 410)%**
Surplus/(Deficit) for the year	**529 937**	**1 825 614**	**2 355 551**	-		**2 355 551**	**(208 847 950)**		**(211 203 501)**	**(8 866)%**	**(39 410)%**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Property, plant and equipment

The municipality reviews the estimated residual value and useful lives of property, plant and equipment when changing circumstances indicate that they may have changed since the most recent reporting date.During the current year, the municipality determined that the estimated residual value of certain items of property plant and equipment should be revised.

1.3 Biological assets that form part of an agricultural activity

The entity recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.5 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation. Land is not depreciated.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Infrastructure	Straight line	
• Electricity Assets		3 - 60 years
• Roads		5 - 100 years
• Roads furniture		2 - 50 years
• Road structures		80 years
Community	Straight line	
• Cemeteries		5 - 100 years
• Halls and centres		7 - 100 years
• Landfill sites		15 - 60 years
• Markets, stalls and LED facilities		15 - 50 years
• Parks		10 - 80 years
• Sport facilities		30 years
• Taxi ranks		15 - 100 years
Other property, plant and equipment	Straight line	
• Computer hardware		5 years
• Equipment		5 years
• Furniture and fittings		7 years
• Machinery		5 - 7 years
• Office equipment		3 - 10 years
• Picnic seaters and benches		7 years
• Vehicles		3 - 20 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

Accounting Policies

1.7 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Patents, trademarks and other rights	x years / indefinite

1.8 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.8 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Accounting Policies

1.9 Financial instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values et that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Leases (continued)

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.12 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, thet asset or group of assets is identified es a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated ebsences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Insured benefits

Where the entity pay insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:
- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Accounting Policies

1.14 Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passege of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balence existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ meterially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.16 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a streight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other ects, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stege of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisty the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Accounting Policies

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they ere required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, thet management in their dealings with the municipality.

Only transactions with related perties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting dete and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2099	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be e material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

3. Biological assets that form part of an agricultural activity

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets	125 331	-	125 331	266 663	-	266 663

Reconciliation of biological assets that form part of an agricultural activity - 2017

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	266 663	(141 332)	125 331

Reconciliation of biological assets that form part of an agricultural activity - 2016

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets	387 972	(121 309)	266 663

Methods and assumptions used in determining fair value

A management valuation of the biological assets was performed.

4. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	43 054 720	-	43 054 720	43 857 999	-	43 857 999

Reconciliation of investment property - 2017

	Opening balance	Transfers received	Total
Investment property	43 857 999	(803 279)	43 054 720

Reconciliation of investment property - 2016

	Opening balance	Fair value adjustments	Total
Investment property	42 999 368	858 631	43 857 999

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Investment property (continued)

Details of valuation

The valuation was perfomed on . Fair value were performed by an independent valuer, Kholofelo Modipa, Modhope (Pty) Ltd. The company is not connected to the municipality and have relevant experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

5. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 149 189	(1 293 818)	855 371	2 149 189	(863 981)	1 285 208

Reconciliation of Intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	1 285 208	(429 837)	855 371

Reconciliation of Intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	1 715 046	(429 838)	1 285 208

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	98 673 485	-	98 673 485	98 681 745	-	98 681 745
Buildings	326 637 832	(203 386 094)	123 251 738	326 485 659	(191 401 708)	135 083 951
Infrastructure	811 408 050	(426 437 227)	384 970 823	804 592 451	(396 561 187)	408 031 264
Community	391 203 438	(228 639 954)	162 563 484	385 869 325	(176 212 037)	209 657 288
Library books	69 538	(44 416)	25 122	69 538	(21 237)	48 301
Capital work in progress	72 723 864	-	72 723 864	46 248 940	-	46 248 940
Other property, plant and equipment (Movables)	47 330 326	(34 818 851)	12 511 475	45 581 333	(32 438 290)	13 143 043
Total	**1 748 046 533**	**(893 326 542)**	**854 719 991**	**1 707 528 991**	**(796 634 459)**	**910 894 532**

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Other changes, movements	Depreciation	Impairment loss	Total
Land	98 681 745	-	(8 260)	-	-	98 673 485
Buildings	135 083 951	152 173	-	(11 984 386)	-	123 251 738
Infrastructure	408 031 264	10 592 815	-	(32 982 228)	(671 028)	384 970 823
Community	209 657 288	815 595	4 807 191	(52 716 590)	-	162 563 484
Library books	48 301	-	-	(23 179)	-	25 122
Capital work in progress	46 248 940	34 731 131	(8 256 207)	-	-	72 723 864
Other property, plant and equipment (Movables)	13 143 043	1 748 993	-	(2 380 561)	-	12 511 475
	910 894 532	**48 040 707**	**(3 457 276)**	**(100 086 944)**	**(671 028)**	**854 719 991**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	115 381 744	-	-	16 700 000	(33 399 999)	-	-	98 681 745
Buildings	147 443 145	251 616	-	-	(637 825)	(11 972 985)	-	135 083 951
Infrastructure	398 623 580	31 973 923	-	-	9 592 995	(32 159 234)	-	408 031 264
Community	170 834 313	333 962	-	-	52 520 539	(13 802 748)	(228 778)	209 657 288
Library books	68 856	33 393	-	-	(37 447)	(16 501)	-	48 301
Capital work in progress	39 032 364	48 006 894	(31 294 769)	-	(9 495 549)	-	-	46 248 940
Other property, plant and equipment	12 524 296	3 010 675	-	-	-	(2 271 740)	(120 188)	13 143 043
	883 908 298	**83 610 463**	**(31 294 769)**	**16 700 000**	**18 542 714**	**(60 223 208)**	**(348 966)**	**910 894 532**

Figures in Rand	2017	2016

6. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

The carring amount of the assets are as follows:

	2017	2016
Motor vehicles	519 409	535 070
IT equipment	461 638	-
	981 047	**535 070**

Details on the above leases refere to note 13.

Details of properties

Property 1

	2017	2016
- Purchase price: 1 December 2008	-	-

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

7. Heritage assets

	2017			2016		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	317 000	-	317 000	317 000	-	317 000

Reconciliation of heritage assets 2017

	Opening balance	Additions	Impairment losses (recognised)/reversed directly in Net assets	Impairment losses reversed	Total
Heritage assets	317 000	317 000	(317 000)	-	317 000

Reconciliation of heritage assets 2016

	Opening balance	Revaluation increase/(decrease)	Total
Heritage assets	-	317 000	317 000

Revaluations

Fair value of heritage assets (measured at cost less accumulated impairment losses)

	Carrying amount 2016	Fair value 2016
Archaeological- and palaeontology sites	2	317 000

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

8. Inventories

Consumable stores	14 939 897	14 825 018
Land Inventory - Held for resale	321 606 713	321 626 713
	336 546 610	**336 451 731**

9. Operating lease asset (liability)

Current liabilities	(185 294)	(185 294)

The operating lease liability relates to the accruat for Nashua invoices not paid at year end for the rental of office machines.

10. VAT receivable

VAT	8 432 687	16 300 017

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	130	130
Bank balances	14 025 719	3 984 802
Short-term deposits	3 002 378	7 084 140
	17 028 227	**11 069 072**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
Standard Bank - Cheque Account - 330-451-3670001	4 092 418	2 414 184	1 851 670	4 092 418	2 506 564	590 907
Standard Bank - Investment Account - 238711102001	2 451 810	3 186 422	98 421	2 451 810	3 186 422	98 421
Standard Bank - Investment Account - 238711102002	125 681	1 037 019	24 061	125 681	1 037 019	24 061
Standard Bank - Investment Account - 238711102004	37 198	2 491 098	60 402	37 198	2 491 098	60 402
Standard Bank - Investment Account - 238711102005	292 478	274 393	258 885	292 478	274 393	258 885
Standard Bank - Investment Account - 243098804000	3 821 668	1 478 362	2 119 987	3 821 668	1 478 362	2 119 987
ABSA Bank - Call Account - 4061623641	3 327	3 280	5 002	3 327	3 280	5 001
ABSA Bank - Fixed Deposit - 2064270257	96 769	91 934	88 000	96 769	91 934	88 167
Total	**10 921 349**	**10 976 692**	**4 506 428**	**10 921 349**	**11 069 072**	**3 245 831**

12. Other financial liabilities

	2017	2016
At amortised cost		
Lepelle Northern Water	157 100 000	167 300 000

The debt arose when the municipality was still a water supply authority. In terms of the settlement agrement signed between Lepelle Northern Water and Ba-Phalaborwa Municipality dated 19 Octber 2015 , the debt is repayable in monthly installment of R 1 700 000 and bears no interest.

	2017	2016
Non-current liabilities		
At amortised cost	136 700 000	146 900 000
Current liabilities		
At amortised cost	20 400 000	20 400 000

Figures in Rand	2017	2016

13. Finance lease obligation

	2017	2016
Minimum lease payments due		
- within one year	-	365 974
- in second to fifth year inclusive	-	302 480
	-	668 454
less: future finance charges	-	(83 748)
Present value of minimum lease payments	**-**	**584 706**
Present value of minimum lease payments due		
- within one year	-	312 317
- in second to fifth year inclusive	-	272 389
	-	**584 706**
Non-current liabilities	-	272 389
Current liabilities	152 995	312 317
	152 995	**584 706**

It is municipality policy to lease certain motor vehicles and other movable assets under finance leases.

The municipality has a motor vehicle which is being financed by Standard Bank in terms of a finance lease subject to interest at prime lending rate. The facility fully settled by 07 February 2017.

During the current financial year the municipality acquired 58 laptops under a three year finance lease agreement with Vodacom. The facility is repayable in monthly installments of R 18 320 and the average effective borrowing rate for the facility is 13.09%

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6

14. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality has a policy to subsidise the post-employment health care costs of employees that are covered by the municipality sponsored health care arrangements at retirement.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Peter Theunissen, from Independent Actuaries and Consultants (Pty) Ltd, a Fellow of the Actuarial Society of South Africa.

The Projected Unit Credit Method was used value the post retirement medical aid plan liabilities.

The liability in respect of active members has been proportioned between past service and future service. The liability in respect of current pensioners is fully accounted for.

The amounts recognised in the statement of financial position are as follows:

	2017	2016
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(41 964 000)	(43 304 000)

Figures in Rand	2017	2016

14. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	48 275 000	43 304 000
Benefits paid	(859 000)	(861 000)
Net expense recognised in the statement of financial performance	(481 000)	5 832 000
	46 935 000	**48 275 000**

Net expense recognised in the statement of financial performance

Current service cost	2 085 000	1 909 000
Interest cost	4 276 000	3 382 000
Actuarial (gains) losses	(6 842 000)	541 000
	(481 000)	**5 832 000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.66 %	9.74 %
Expected rate of return on reimbursement rights	6.53 %	7.26 %
Medical cost trend rates	8.03 %	8.76 %
Future changes in maximum state healthcare benefits	1.50 %	0.90 %
	-	63

The discount rate was determined by taking the average yields from the zero coupon government bond curve over a 15 to 20 year term. The recommended discount rate as at 30 June 2017 is 9.66% (2016: 9.74%).

The general inflation assumption was used to estimate the base rate for determining the rate at which the future health care subsidies will increase. Market pricing inflation was estimated by comparing the yields on real and nominal bonds on the yield curve with a duration of between 15 and 20 years and have incorporated an inflation risk premium of 0,5%.The implied inflation assumption is therefore 6.53% per annum.

It was assumed that medical inflation will exceed general inflation by 1,5% per annum. Even though the actual values used for the discount rate and the expected increase in medical subsidies are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate is 1.50% p.a.

We assumed that the pre- retirement mortality will be in line with SA85-90 (light) table, rated down by 1 year. The assumption is the same as the previous assumption used. Post-retirement mortality assumptions were based on the PA(90) mortality tables rated down by 2 years.

The assumed retirement age of 63 for all employees has been retained, which implicitly allows for some early retirement and is consistent with assumptions used for valuing other municipal liabilities. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63.

There is a probability that not all employees will elect to remain on the current medical scheme post retirement. We have retained the assumption used last year that 90% of current employees who are on a company sponsored medical scheme will remain on the same medical scheme and option post retirement.

Inrespect of active Employees, we have assumed that 90% of members will be married at retirement and that the female spouse will be 3 years younger than the male spouse. We have further assumed that Employees will not have any dependent children once they retire.

We have used an approximate age difference of 3 years for the spouse to value the retired employees.

Notes to the Annual Financial Statements

Figures in Rand

15. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Additions	Total
Environmental rehabilitation	68 942 807	4 305 917	73 248 724
Employee benefit cost	5 331 876	289 399	5 621 275
	74 274 683	**4 595 316**	**78 869 999**

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	66 122 893	2 819 914	-	-	-	68 942 807
Employee benefit cost	4 759 238	447 921	(335 682)	380 858	79 541	5 331 876
	70 882 131	**3 267 835**	**(335 682)**	**380 858**	**79 541**	**74 274 683**

15. Provisions (continued)

Environmental rehabilitation provision

The provision for land fill sites rehabilitation relates to estimated cost for the rehabilitation of four(4) land fill sites operated by the municipality.

Ba-Phalaborwa landfill site is expected to be used for the next three(3) years and it is estimated that R 41,854,852 (2016: R16,356,418) will be spent to rehabilitate the site.

Lulekani landfill site has been closed and a provision has been raised for the remediation of contaminated land of R212 600 which will be funded through donation from Foskor Mine as social responsility .

Namakgale landfill site is expected to be in operation for the next 20 to 25 years and the estimated cost of rehabilitating the site is R 22,153,101 (2016: R2 044 206).

Gravelotte landfill site has been recommended for closure as it does not comply with the minimum requirements of a landfill site. The estimated cost for rehabilitating the site is R 12 060 685 (2016:R 628 958).

The evaluation, audit and computation of the provision for rehabilitation of the sites have been carried out by MMB Consulting Chartered Accountants and Environmental & Sustainability Solution cc.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Employee benefit cost provision - Long service awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Krishen Sukdev, from Independent Actuaries and Consultants (Pty) Ltd, a Fellow of the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 30 June 2017 (2016: 410) employees were eligible for Long-services Awards.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2017	2016
Discount rates used	8.57 %	8.83 %
Expected rate of return on reimbursement rights	5.34 %	6.50 %
Medical cost trend rates	6.34 %	7.50 %
Future changes in maximum state healthcare benefits	2.10 %	1.24 %

Figures in Rand	2017	2016

15. Provisions (continued)

Emphasis is placed on the duration of liabilities when determining the discount rate. The discount rate is based on the yields from the zero coupon government bond curve.

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

Market pricing of inflation estimate was determined by comparing the yields on real and nominal bonds on the yields curve with a duration of between 7,0 years and have incorporated an inflation risk premium of 0,5% per annum.The implied inflation assumption is therefore 5,34% per annum for future inflation.

Future salaries can be expected to increase in line with salary inflation. We assumed salary inflation will exceed general inflation by 1,0% per annum.

The Municipality does not have any specific assets set aside to fund this liability.

Net Discount Rate - Even though the actual values used for the discount rate and the expected increase in salaries are important,the gap between the two assumptions are more important.This gap is referred to as the net discount rate.The net discount rate is 2,10% per annum.(Derived from a discount rate of 8,57% and the expected salary inflation rate of 6,34%).

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2017	2016
Unspent conditional grants and receipts		
Unspent grants 1	785 867	-
Integrated national electrification grant	-	1 911 761
Expanded public works grant (EPWP)	-	31 464
	785 867	**1 943 225**

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Payables from exchange transactions

	2017	2016
Trade payables	30 286 475	35 823 340
Payments received in advanced	4 055 259	456 231
Sundry payables	19 880 424	18 214 130
Accrued leave pay	12 233 285	9 129 265
Accrued bonus	2 331 179	2 341 071
Deposits received	(12 373)	2 287
Retentions	7 709 817	7 643 909
Other Creditors	1 038 473	1 041 004
Payroll accruals	275 343	5 181 505
Mopani District Municipality (Water and Sanitation)	177 284 847	135 588 602
	255 082 729	**215 421 344**

18. VAT payable

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

19. Consumer deposits

Electricity	4 085 207	2 040 256

20. Revenue

Service charges	108 144 270	108 147 928
Rental of facilities and equipment	344 564	380 911
Agency services	12 738 962	5 676 019
Licences and permits	2 417 209	3 525 423
Sale of municipal land	1 491 368	2 591 087
Other income	1 999 845	1 555 108
Interest received - investment	20 541 125	33 197 280
Property rates	90 683 224	68 105 690
Government grants & subsidies	143 068 431	167 887 383
Public contributions and donations	3 017 000	-
Fines and Penalties	313 163	3 359 890
Donations - Libary books	-	18 104
Other transfer revenue	199 209	1 306 493
	384 958 370	**395 751 316**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	108 144 270	108 147 928
Rental of facilities and equipment	344 564	380 911
Agency services	12 738 962	5 676 019
Licences and permits	2 417 209	3 525 423
Sales of Municipal land	1 491 368	2 591 087
Other income	1 999 845	1 555 108
Interest received - investment	20 541 125	33 197 280
	147 677 343	**155 073 756**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	90 683 224	68 105 690
Transfer revenue		
Government grants & subsidies	143 068 431	167 887 383
Public contributions and donations	3 017 000	-
Fines, Penalties and Forfeits	313 163	3 359 890
Donations	-	18 104
Other transfer revenue	199 209	1 306 493
	237 281 027	**240 677 560**

21. Service charges

Sale of electricity	95 066 105	94 362 195
Refuse removal	13 078 165	13 785 733
	108 144 270	**108 147 928**

22. Rental of facilities and equipment

Premises		
Premises	134 292	140 296
Theatre hire	161 326	189 791
	295 618	**330 087**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

22. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental of facilities	48 946	50 824
	344 564	**380 911**

23. Other revenue

Sales of Municipal land	1 491 368	2 591 087
Other income	1 999 845	1 555 108
	3 491 213	**4 146 195**

24. Other income

Building plan fees	129 605	189 210
Cemetery fees	129 642	121 470
Clearance certificates	44 078	59 133
Connection fees	988 950	676 791
Library income	116 384	112 052
Sundry income	261 958	130 572
Selling of bid documents	104 905	188 337
Posters and banners	224 325	77 543
	1 999 845	**1 555 108**

25. Investment revenue

Interest revenue		
Bank	518 238	638 022
Interest charged on trade and other receivables	20 022 887	32 559 258
	20 541 125	**33 197 280**

26. Property rates

Rates received		
Residential	90 683 224	68 105 690

Valuations		
Residential	5 240 485 300	5 240 485 300
Commercial	1 313 986 034	1 313 986 034
State	104 986 034	104 986 200
Municipal	1 276 843 640	1 276 843 640
Agriculture	3 195 924 000	3 195 924 000
Other	553 765 100	553 765 100
	11 685 990 108	**11 685 990 274**

The general valuation came into effect on 01 July 2015, the Municipality has performed the supplementarry valuation roll on yearly basis .

Figures in Rand	2017	2016

27. Government grants and subsidies

Operating grants

Equitable share	110 235 000	107 805 000
Financial management grant	1 810 000	1 675 000
Municipal infrastructure grant	29 782 133	51 044 000
Municipal system improvement grant	-	940 000
Intergrated national electrification grant	-	5 088 239
Local government sector education training authority grant	241 298	178 608
Expanded public works programme grant	1 000 000	1 156 536
	143 068 431	**167 887 383**

Equitable Share

In terms of the Constitution, this grant is used to assist the municipality into running its day to day activities and to subsidise the provision of basic services to indigent community members.

Municipal infrastructure grants

Current-year receipts	30 568 000	87 954 196
Conditions met - transferred to revenue	(29 782 133)	(87 954 196)
	785 867	**-**

The Municipal Infrastructure grant was allocated for the construction of roads and electricity infrastructure as part of the upgrading of previously disadvantaged areas . During the year Municipality has spend 97% on the MIG allocated the municipality has unspent amount which will be disclosed as payables to National Treasury.

Intergrated national electrification grant

Balance unspent at beginning of year	1 911 761	-
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	-	(5 088 239)
Transferred back to National Treasury	(1 911 761)	-
	-	**1 911 761**

The grant is received from National government for electrification projects within the previously disadvantage communities of the municipality.

The unspent portion of the grant will be transfered back to National Treasury.

Municipal system Improvement grant

Current-year receipts	-	940 000
Conditions met - transferred to revenue	-	(940 000)
	-	**-**

he grant was used to improve municipal systems and was used to improve information technology networks and ward committee operations.No funds have been withheld.

Financial management grants

Current-year receipts	1 810 000	1 675 000
Conditions met - transferred to revenue	(1 810 000)	(1 675 000)
	-	-

Figures in Rand	2017	2016

27. Government grants and subsidies (continued)

The Financial management grant (FMG) is paid to the municipality to help implement the financial reforms required by the municipal financial management act of MFMA 2003.The grant also pays for the cost of the financial management intenship programmme i.e. salary of the financial management interns.

Expanded public works grant (EPWP)

Balance unspent at beginning of year	31 464	-
Current-year receipts	1 000 000	1 188 000
Conditions met - transferred to revenue	(1 000 000)	(1 158 536)
Unspent grants returned to National Treasury	(31 464)	-
	-	**31 464**

The grant was received from the Department of public works for the creation of jobs in the municipal area and to incentivise provincial department to expand work creation efforts through the us of labour intensive delivery methods in identified focus area e.g road maintenance and maintenance of building and other economic and social infrastructure.

Local government sector education training authority grant

Current-year receipts	241 298	178 608
Conditions met - transferred to revenue	(241 298)	(178 608)
	-	-

Figures in Rand	2017	2016

28. Employee related costs

Basic	69 037 404	64 266 297
Bonus	5 166 567	5 631 981
Medical aid - company contributions	3 654 254	3 535 727
UIF	609 023	586 217
WCA	33 649	31 644
SDL	963 023	906 712
Other payroll levies	268 046	198 945
Defined contribution plans	13 192 583	12 225 097
Travel, motor car, accommodation, subsistence and other allowances	14 826 518	12 994 165
Overtime payments	4 376 213	2 741 041
Long-service awards	4 782 782	4 094 509
Acting allowances	1 503 166	984 640
Housing benefits and allowances	730 922	737 804
Defined benefit plan expense	471 700	6 740 320
Stipends	172 000	2 057 800
Industrial attachement allowance	255 820	513 237
	120 043 670	**118 246 136**

Remuneration of municipal manager

Annual Remuneration	491 950	921 892
Car Allowance	328 633	614 595
Contributions to UIF, Medical and Pension Funds	98 828	126 851
Cellphone	1 500	-
Other Benefits	675 328	-
	1 596 239	**1 663 338**

Remuneration of Chief Finance Officer

Annual Remuneration	176 070	136 894
Car Allowance	144 057	39 000
Contributions to UIF, Medical and Pension Funds	110 033	214 087
Cellphone allowance	7 500	-
Other benefits	50 786	-
	488 446	**389 981**

Acting chief finance officer		
Annual Remuneration	190 991	305 512
Car allowances	96 944	156 903
Cellphone allowances	11 657	99 522
Contribution to UIF,Medical and Pension Funds	86 005	254 420
Other benefits	229 700	119 352
	615 297	**935 709**

The Municipality has acting chief finance officer in the position since April 2015 to February 2017 as follows
1. AT Ndzimande acted as Chief Finance Officer from April 2015 to september 2016
2.TJ Mogano also acted as the chief Finance Officer From September 2016 to February 2017.

Remuneration of director planning and development services

Annual Remuneration	472 912	354 684
Car Allowance	313 490	235 117
Contributions to UIF, Medical and Pension Funds	323 379	1 339
Other	65 307	27 467
Cellphone allowances	18 000	-

Notes to the Annual Financial Statements

Figures in Rand	2017	2016
28. Employee related costs (continued)		
	1 193 088	**618 607**

Figures in Rand	2017	2016

28. Employee related costs (continued)

Remuneration of director community services

	2017	2016
Annual Remuneration	360 000	270 000
Car Allowance	211 589	149 709
Performance Bonuses	-	13 500
Contributions to UIF, Medical and Pension Funds	109 621	1 339
Other	287 589	174 440
Cellphone allowances	18 000	-
	986 799	**608 988**

Remuneration of Director corporate services

	2017	2016
Annual Remuneration	626 650	696 624
Car Allowance	221 898	239 941
Performance Bonuses	-	21 661
Contributions to UIF, Medical and Pension Funds	174 138	1 933
Other	393 118	290 332
Cellphone allowances	16 500	-
	1 432 304	**1 250 491**

Remuneration of Director technical services

	2017	2016
Annual Remuneration	420 000	215 000
Car Allowance	366 396	295 403
Contributions to UIF, Medical and Pension Funds	57 232	1 190
Other	59 030	66 590
Cellphone allowance	18 000	-
	920 658	**578 183**

The techinical director was appointed in December 2015.

29. Remuneration of councillors

	2017	2016
Mayor	822 547	786 252
Mayoral Committee Members	1 295 219	3 012 844
Speaker	683 147	641 873
Councillors	8 673 993	6 726 357
Chief Whip	660 791	622 299
	12 135 697	**11 789 625**

30. Impairment of assets

	2017	2016
Impairments		
Property, plant and equipment	671 029	445 127
Inventories The impairment arose from the write down of some inventory to net realisable value as well as inventory losses	8 535 444	2 983 950
Trade and other receivables The impairment of receivables arose from the assessment of the recoverability of the municipality's trade and other receivables.	174 864 695	62 698 965
	184 071 188	**66 128 042**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

31. Finance costs

Non-current borrowings	4 703	57 354
Late payment of tax	315 449	1 157 571
	320 152	**1 214 925**

32. Bulk purchases

Electricity	81 354 073	74 560 364

Included in the electricity bulk purchases is the 22% (2016:19%) which relate to distribution losses. Ba-Phalaborwa Municipality gets billed by Eskom on a monthly basis for electricity used/or given to Ba-Phalaborwa Municipality based on readings.Therefore the amount paid to/billed by Eskom includes electricity losses of R 15 911 855 (2016: R13 835 367). The loss in terms of Units amounted to 17 769 085 kwh (2016: 16 779 299 kwh).

33. Contracted services

Actuarial and accounting services	6 146 291	8 934 049
Agency fees	8 327 933	1 164 198
Debt collection	-	2 475 085
Insurance	1 181 179	3 469 669
Legal fees	5 882 829	2 563 541
Meter reading	2 605 250	2 456 561
Operating leases	305 185	2 496 140
Security services	7 762 636	8 927 370
	32 211 303	**30 486 613**

34. Auditors' remuneration

Fees	4 989 277	4 522 425

35. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Impairment on property, plant and equipment	871 029	445 127
Impairment on trade and other receivables	174 884 695	62 698 965
Amortisation on intangible assets	429 838	429 838
Depreciation on property, plant and equipment	99 798 279	61 480 849
Employee costs	133 295 048	131 489 198

36. Fair value adjustments

Investment property	(803 280)	858 631
Biological assets	(141 331)	(121 310)
	(944 611)	**737 321**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

37. General expenses

	2017	2016
Accomodation	2 517 746	1 816 893
Advertising	1 079 652	752 019
Assets expensed	474	-
Auditors remuneration	4 989 277	4 522 425
Bank charges	599 219	1 180 877
Cleaning	17 299	8 422
Commission paid	1 703 397	1 221 798
Community development and training	7 835 629	5 016 753
Consulting and professional fees	1 172 762	1 574 148
Consumables	655 712	1 451 813
Electricity non-bulk purchases	4 497 949	6 030 331
Entertainment	292 820	594 965
Expanded Public Works Program expenses	935 098	1 230 223
Financial Management System Support expenses	1 296 565	1 521 805
Fuel and oil	2 392 216	3 385 744
Hire of equipment	475 880	234 100
IT expenses	181 649	650 760
Indigent support	1 123 466	2 061 841
Intergrated national electrification expenditure	-	4 463 494
Motor vehicle expenses	7 643 908	3 270 273
Motor vehicle licence fees	130 190	132 452
Occupational health and safety	178 241	255 956
Placement fees	214 810	225 419
Postage and courier	678 301	727 336
Printing and stationery	2 263 400	1 490 187
Project maintenance costs	1 261 061	1 924 897
Protective clothing	1 663 891	730 856
Purchase of prepaid boxes	196 849	1 350 098
Sewerage and waste disposal	369	-
Staff welfare	332 271	487 146
Subscriptions and membership fees	2 865 263	212 484
Telephone and fax	1 547 139	1 827 870
Title deed search fees	206 141	98 127
Traffic law enforcement expenses	(84 283)	-
Training	2 769 036	2 148 410
Travel - local	441 629	500 597
Workmens compensation	922	-
	54 075 948	**53 100 519**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

38. Cash used in operations

Deficit	(208 847 950)	(40 500 075)
Adjustments for:		
Depreciation and amortisation	100 228 117	61 910 687
Fair value adjustments	944 611	(737 321)
Finance costs	320 152	1 214 925
Impairment deficit	184 071 168	66 128 042
Movements in operating lease assets and accruals	-	57 242
Movements in retirement benefit assets and liabilities	(1 340 000)	4 971 000
Movements in provisions	572 638	572 638
Changes in working capital:		
Inventories	94 879	(120 563 831)
Receivables from exchange transactions	(66 461 487)	(60 040 388)
Other receivables from non-exchange transactions	(49 859 834)	(27 359 648)
Other non-cash items	-	22 138 144
Payables from exchange transactions	39 661 390	36 983 796
VAT	7 867 330	(19 368 680)
Unspent conditional grants and receipts	(1 157 358)	1 943 225
Consumer deposits	2 044 951	(1 698 141)
Finance lease obligation	(159 322)	(452 577)
long term debt	(10 200 000)	(20 400 000)
	(2 220 715)	**(95 200 962)**

39. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Contracts commitments	84 111 050	87 049 852
• Order issued commitments	-	176 544
	84 111 050	**67 226 396**

Total capital commitments		
Already contracted for but not provided for	84 111 050	67 226 396

This committed expenditure relates to Infrastructure assets and management fees (consultancy) and will be financed by available bank facilities, Municipal Infrastructure grants, existing cash resources, funds internally generated.

Notes to the Annual Financial Statements

Figures in Rand		2017	2016

40. Contingencies

Contingencies			
Thaki william,Mojapelo and Maseko Mary Mojapelo		15 946 000	-
Tlhaole Dynamics	2	-	2 689 810
Quality Plant Hire	4	-	213 215
Makwande Chartered Accountants	5	2 734 105	2 384 105
Tippuprox (Pty) Ltd	7	6 070 000	4 225 000
Kgopotso Lekgothwane		2 500 000	400 000
LE Thom (Pty) Ltd	9	-	844 797
Malatji Khensani Eulender		1 200 000	-
Morare Freddy Masekwameng		350 000	-
Mahlatse Patience Ramoshaba	10	-	25 895
Molau Devyton Malatji	11	10 300 000	10 000 000
Kgopotso Devyton Malatji	12	-	900 000
Aubrey Fumani Mushwana	13	1 172 083	772 083
TT Crane Hire	14	-	60 000
Millionaires Club		1 650 000	-
SAMWU obo Mbiyane Florence		100 000	-
Lepelle Industrial	15	-	300 000
SAMWU		74 000	-
		42 096 188	**22 814 905**

40. Contingencies (continued)

All the litigations and claims against the municipality are in progress and relate to disputes with the following paties:
1. Makwande Chartered Accountants: The matter relates to the preparation of municipal financial statements for the year ended 30 June 2009. The claimant failed to deliver the reporfs and the contract was terminated. The claimant is now claiming unpaid fees debt .The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The matter has been postponed indefinitely after the claimant's legal representatives failed to show up at the court the amount is as follows R2,734,105. The R2 734 105 represents the total possible liability by the municipality, according to the legal advisors

2. Aubrey Fumani Mushwana: Summons against the municipality at an amount of R1,172,083.33 for an alleged breach of disciplinary settlement agreement. The plaintiff alleges that municipal representative agreed to a settlement proposal during negotiations with a view to settle the disciplinary matter amicably. The proposal had to be accepted by council first and it was discovered that attempted to settle long after he had been employed elsewhere without council knowledge. The legal advisors estimate the total possible liability to be R1 172 083.33.

3. Thaki William Mojapelo and Masako Mary Mojapelo: The plaintiffs bought erven 26, 27 and 28 in the industrial area. They allege that Ba-Phalaborwa municipality failed to transfer the properties in their names as such they seek cancellation of the sale agreement and refund of the purchase price which is alleged to be R46, 520.00 with interest or the transfer of the properties and payment of R15 500 000.00 in damages for loss of business. The legal advisors estimate the total possible cost to be R15 946 000.00.

4. Tippuprox (Pty) Ltd: The company was awarded a tender by the municipality which was later cancelled by the municipality due to misrepresentations made during the tendering process by the owner of the company. The company raised a claim against the municipality which the legal advisor confirmed at R 6,070,000

5. Millioniers Club CC: Millioniers Club CC sues the municipality for R1 200 000.00 for services allegedly rendered from October 2015 to March 2016. Millioniers Club CC was engaged by the municipality to monitor and restore power during normal outages on behalf of the municipality from July 2015 until when the Deputy Director: Electrical would have been appointed because no one at the municipality had the General Certificate of Competency as required by legislation. The Deputy Director: Electrical was appointment on October 2015. He has the certificate. By this time, they had already been paid R776 262.48 which they had been invoicing monthly. The Director: Technical telephonically informed Milloniers Club about the appointment at he end of September 2015. A letter of notification was also faxed but later turned out that it did not go through. Millioniers Club CC stopped sending invoices from October 2015. Millioniers Club brought 6 (six) invoices on the 31st of March 2016 claiming that they were for services rendered from October 2015 to the 31st March 2016 whcih they never did. Upon investigation, it was uncovered that they never rendered any services in the first place and that they had been paid fraudulently in the amount of R776 262.48. The estimated possible liability to the municipality ios estaimated to be R1 650 000.00 according to the legal advisors

6. Malatji Khensani Eulender: Malatji Khensani Eulender's child suffered bodily injures when a water tank, commonly known as Jojo tank fell on her child while fetching water. The reason for the collapse was probably that the stand on which it was placed was not strong enough to bear its weight or that it was shoddily constructed. The legal advisors confirmed the total possible liability to be R1 200 000.00

7. Morare Freddy Masekwameng: Morare Freddy Masekwameng would like the sale of erf 2266 Extension Phalaborwa to Mr. and Mrs. Johan Behrens declared invalid and that all monies paid to the municipality be paid back and the erf's ownership revert to the municipality becasue the erf was, in his view, not sold procedurally. The legal advisors confirmed the total possible liability to be R350 000.00

8.Thaki William Mojapelo and Masako Mary Mojapelo: The plaintiffs requests the court to nullify the approval of sale of erf 3644 between the estate of the late Jackson Mogudi and Charmakala Group by the municipality. The municipality approved because records at deeds office showed that the erf was owned by the estate of the late Mogudi and not the palintiffs. The legal advisors confirmed the total possible liability to be R300 000.00

9. Kgopotso Lekgothwane: Summons against the municipality in the amount of R2500 000.00 (2016:R 400,000) for an alleged negligent failure by the municipality to barricade a ditch which had been dug up by municipal workers, resulting in the plaintiff falling in it and getting seriously injured. The legal advisors confirmed the total possible liability to be R2 500 000.00

Figures in Rand	2017	2016

40. Contingencies (continued)

10. Molau Devyton Malatji: Summons against the municipality for alleged illegal termination of the brickyard lease agreement. Molau Devyton Malatji brought the matter back at court becasue the court had dismissed his case previously based on his absence from court. The legal advors have confirmed the contingent liabilities of an amount of R 10,300,000

11. SAMWU on behalf of Mkansi and others: Dispute about cellullar phone was referred to arbitration by Mr. Mkansi and others based on a clause in the employment agreement, which clause is wrong, to the effect that they are entitled to cellular phone allowances whereas they are not in terms of Council policy. The legal advisors confirmed the total possible liability to be R60 000.00

12. SAMWU on behalf of Mbiyani Florence Chauke: This former employee has taken the municipality to the Bargaining Council in order to overturn her dismissal. The legal advisors confirmed the total possible liability to be R100 000

13. LE Thom (Pty) Ltd: Claims against the municipality for work they did which they claim the Municipality failed to do while in fact they are the ones that who prevented the municipality from doing the work.

14. Tlhaole Dynamics: The entity was cotracted by the municipaliy to compile the valuation and the supplementary roll and later claims that it was not paid according to the contract. The plaintiff is claiming against the municipality.

Contingent assets

		2017	2016
Ziyaphenduka Promotions cc	1	-	230 000
Geldenhys estate	2	60 000	60 000
Thipa Driving School	3	-	3 000
Mavambo ITS		3 489 810	-
		3 549 810	**293 000**

1. Ziyaphenduka Promotions CC: Summons to force Ziyaphenduka to account on all amounts collected during the Marula Festival.

2. Geldenhys' estate: Acquisition of two properties of the late G J Geldenhys to be transferred to the Ba-Phalaborwa Municipality owing to the fact that the diseased died insolvent and that he owed the Municipality rates and taxes which amount far exceeds the value of the properties concerned.

3. Thipa Driving School: Thipa Driving School owes the municipality R3 000.00 for repair costs caused to municipal palisade fence by its learner driver - the matter have been finalised as council resolved.

4. Mavambo ITS:

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

41. Related partles

Relationships	
Accounting Officers	Refer to accounting officers' report note
Accounting officer	Ms MI Moakamela
Accounting Officer	Dr SS Sebashe
Names of councillors	Position
Cllr. PJ Shayi	Mayor
Cllr.MM Malatjie	Speaker
Cllr.E Hlungwane	Chief Whip
Cllr. SL Mohlala	Member of Executive Committee
Cllr.SR De Beer	Member of Executive Committee
Cllr.T Nkuna	Member of Executive Committee
Cllr.AN Mmola	Member of Executive Committee
Cllr.S Magomane	Member of Executive Committee
Cllr. Malesa	Member of Executive Committee
Member of Key Management	Position
Ms MI Moakamela	Municipal Manager
Mr TJ Mogano	Chief Finance Officer
Mr H Zungu	Director Community Services
Mr AT Ndzimande	Acting Chief Finance Officer
Mr K Mpharelala	Director Technical Services
Mr HP Maluleke	Director Spatial Planning and development
Mr TS Mashale	Acting Director Corporate Services
Shareholder with significant influence	Name (Proprietary) Limited
Shareholder with joint control	Name (Proprietary) Limited
Close family member of key management	Name
Joint venture of key management	Name (Proprietary) Limited of [Mr key management]
Associate of close family member of key management	Name (Proprietary) Limited of [Mr key management]

There is a balance due to Mopani District Municipality disclosed in trade and other payables in the financial statements per note 17.

There were no transactions between the Ba-Phalaborwa Municipality, members of executive council, Mayor, Chief Whip, Speaker, Councillors, Municipal Manager and all other members of key Management except for their remunerations which are disclosed in notes number 28 and 29.

Key management information

Municipal inter transaction on water and sanitation	Mopani District Municipality	Provision of Water and sanitation services where Mopani District Municipality is water service authority and Ba-Phalaborwa is water service provider
CLASS	DESCRIPTION	REMUNERATION
Mayor	Cllr.Shayi PJ	R 710,979.87
Speaker	Cllr. Malatji MM	R714,541.70
Chief Whip	Cllr.Hlungwani E	R 574,963.72
Member executive Committee	Cllr.Malesa MM	R 503,544.05
Member executive Committee	Cllr.Mohlala SL	R 613,285.74
Member executive Committee	Cllr.Magomane MS	R 572,249.46
R 323,392.27	Cllr.De Beer SR	R 350,058.05
Member executive Committee	Cllr.Nkuna T	R 594,503.82
Member executive Committee	Cllr.Mmola AN	R 308,181.69
Councillor	Cllr.Sono NA	R 323,392.27
Councillor	Cllr.Mokgalaka ME	R 241,991.41
Councillor	Cllr.Dikgale PS	R 236,636.59
Councillor	Cllr.Pilusa KO	R 310,129.15
Councillor	Cllr.Peta KA	R 288 593.14
Councillor	Cllr.Ngobeni A	R 235,573.91

41. Related parties (continued)

Councillor	Cllr.Mphogo RJ	R 235,570.91
Councillor	Cllr.Bayana DR	R 246,713.22
Councillor	Cllr.Mashumu SP	R 242,202.63
Councillor	Cllr.Makasela R	R 271,846.41
Councillor	Cllr.GH Lamola	R 235,573.91
Councillor	Cllr.Willamson MRS	R 235,563.91
Councillor	Cllr.Shayi SM	R 243 766.92
Councillor	Cllr.Mathebula MMA	R 236,510.29
Councillors	Cllr.Mokoele	R 36,979.89
Councillor	Cllr.Maake NB	R 237,236.20
Councillor	Cllr.Mhlarhi KP	R 266,197.11
Councillor	Cllr.Valoyi MJ	R 238,461.15
Councillors	Cllr.Shai SK	R 220,402.65
Councillor	Cllr.Shai SK	R 220,402.65
Councillor	Cllr.Ramothwala B	R 267,664.44
Councillor	Cllr.Mampuru NJ	R 243,307.44
Councillor	Cllr.Ndlovu Z	R 237,295.42
Councillor	Cllr.Mkansi ST	R 267,274.57
Councillor	Cllr. Mokoena EA	R 239,163.15
Councillor	Cllr.Mashego PK	R 240,871.37
Councillor	Cllr.Matlala LM	R 237,838.47
Councillor	Cllr.Rapatsa VM	R 539,327.68
Councillor	Cllr.Malatji TC	R 241,562.56
Councillor	Cllr.TS Ndlovu	R 240,661.40

42. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

43. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated deficits of R 764 609 151 and that the municipality's total assets exceed its liabilities by R 802 681 593. The position is attributed to challenges in collecting amounts due from the municipality's consumer receivables which resulted in huge impairment for the receivables. This situation poses operating difficulties to the municipality

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Budget differences

Material differences between budget and actual amounts

The Municipality's policy is to explain all excess of actual expenditure over the final budget of 10% and above.

The excess of actual impairment loss for the year against the budgeted expenditure is attributed to the low recoverability of amounts due from debtors. This has resulted in high impairment loss.

Land inventory was sold during the year under review and such activity was not budgeted for.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. Examples of the factors include the following:

i - The adjustment to budgeted finance costs was a result of the expected increase in the costs due to use of overdraft facilities during the year.

45. Unauthorised expenditure

Opening balance	60 004 203	46 515 138
Expenditure incurred during the year	-	13 489 065
	60 004 203	**60 004 203**

The Unauthorised expenditure for the year was due to overspending of the municipal budget.The overspending wes experienced in Planning and Development and Executive Council departments.

46. Fruitless and wasteful expenditure

Opening balance	12 950 244	11 770 783
Incurred during the year	829 931	1 179 461
	13 780 175	**12 950 244**

Current year fruitless and wasteful expenditure cosist of:		
Interest -Eskom	825 233	1 149 785
Interest - SARS (PAYE,SDL,VAT)	859	10 839
Other- Interest charged by suppliers	3 839	18 837
	829 931	**1 179 461**

47. Irregular expenditure

Opening balance	136 459 593	136 342 880
Add: Irregular Expenditure - current year	16 544 937	116 713
	153 004 530	**136 459 593**

Analysis of expenditure awaiting condonation per age classification

Current year	16 544 937	116 713
Prior years	136 459 593	136 342 880
	153 004 530	**136 459 593**

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	2 835 016	-
Amount paid - current year	(2 835 016)	-
	-	-

Audit fees

Opening balance	66 203	-
Current year fees	4 923 074	4 522 425
Amount paid - current year	(4 989 277)	(4 456 222)
	-	**66 203**

PAYE and UIF

Opening balance	1 521 018	3 676 109
Current year subscription / fee	19 536 387	14 113 271
Amount paid - current year	(19 557 395)	(19 310 398)
Amount paid - previous years	(1 500 010)	-
	-	**(1 521 018)**

VAT

VAT receivable	8 432 687	16 300 017

VAT output payables and VAT input receivables are shown in note 18.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

There were no accounts outstanding for Councillors as at 30 June 2016.

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr. Mphogo RJ	835	-	835
Cllr Mampuru NJ	2 859	9 178	12 037
Cllr Lamola GH	1 518	35 790	37 308
Cllr Mokoena EA	269	-	269
Cllr Ngobeni A	152	-	152
Cllr Magomane MS	265	-	265
Cllr Williamson JA	2 015	-	2 015
Cllr Sono NA	900	-	900
Cllr De Beer SR	570	-	570
Cllr Mhlarhi P	104	-	104
Cllr Ramothwala B	806	-	806
Cllr Mkanzi ST	748	-	748
Cllr Nkuna T	392	7 063	7 455
	11 433	**52 031**	**63 464**

Notes to the Annual Financial Statements

Figures in Rand	2017	2016

49. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial performance - extract

	Comparative figures previously reported	Reclassification	After reclassification
General expenses	57 991 139	(1 655 315)	56 335 824
Finance cost	231 338	1 655 315	1 886 653
Total	**58 222 477**	-	**58 222 477**

50. Prior period errors

During the year under review it was discovered that there was an error on calculation of Provision for land fill contribution received due to not tsking in to sccount the time value of money by not discounting it.
The above correction of errors resulted in decerease in provision for landfill provision of R 2819914.00 and decrease community assets of R2819914 .

During the year under review the municipality discovered incorrect calculation of depreciation on community assets for the year 2016, the correction of the errror resulted in increase in acumulated depreciation of R3249690.92 and increase in community assets of R 3249690.92 and also increase in accumulated surplus of R3249690.92

Library books were erroneously classified as Property, plant and equipment in previous years. This reclassification has been corrected. Decrease accumulated depreciation of R 15123.01 and decrease in Property, plant and equipment of R 52570.47 and increase in accumulated surplus of R 37447.46

There was a duplication of building in 2016 which was also wrongly depreciated and the corrction of such duplication was corrected as follows. Decrease in Building assets of R1317267.51 and decrease in accumulated depreciation of R1317267 and decrease in accumulated depreciation on building of 43335.43 and decrease in depreciation on community assets of R43335.43 and accumulated surplus of R 679441.45

During the previous financial year municipality recognised the recoveries from Mopani District Municipality as part of claiming indirect cost as such the recoveries were discovered to be wrongly claimed . The error was subsequenty corrected which resulted in decrease in accumulated surplus of 117,719,466.33 and increse in inter municipal debt of R 117,719,466.33

The land was wrongly capitalised in the previous years and the correction resulted in the following effects decrease in land for an amount of R115265655.88 and decrease in land inventory for an amount of R 115 265 655.88

The certificate of completion for infrastrucrure assets was not received in the previous years leading to the completed projects not to be capitalised ,the correction of such resulted in increase in infrastructure assets at amount of R 97145.61 and increase in accumulated surplus of R97145.61.

The municipality errounesly recognised the impairement of items of property ,plant and equipment as the disposal of assets the management corrected the matterin 2016 and 2017 respectfully the correction made led to decrease in accumulated surplus of R196159 and decrease in the impairement loss of R196159

The provision for doubtful debts were errouneosly provided more than the consumer debtors this has affected the amount of debtors receivables and the effect is as follows decrease in accumulated surplus of R119 990 483.06 and increase in receivables from non exchange of R119990483.06 and provision for Bad debts R119 990 483.06

The municipality has erronously revalued assets and provided more revaluation and this was not true reflection of the property values as such the municipality had to devalue the the land reflect true value,the corrections resulted in decrease in revaluation of R 16,700,000 and decrease in R16 700,000 effect on financial position.

50. Prior period errors (continued)

An account for VAT was disclosed in error as part of sundry debtors this has been subsequently corrected by restating the prior year balances, resulting in a decrease of R 6 962 317 in debtors and VAT payable.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Increase in infrastructure assets	97 146	97 147
Decrease in Land	-	(115 265 656)
Decrease in Accumulated surplus	115 265 656	(115 265 656)
Decrease in land PPE	-	(5 387 711)
Decrease in Accumulated surplus	(5 387 711)	(5 387 711)
Decrease in accumulated depreciation	679 441	(679 441)
Decrease in accumulated surplus	23 179	(23 179)
Decrease in accumulated depreciation building	-	(43 335)
Decrease in accumulated depreciation	-	(679 441)
Decrease in accumulated surplus	(1 317 268)	(1 317 268)
Decrease in building	-	(1 317 268)
Decrease in accumulated surplus	(196 159)	(196 159)
Decrease in accumuated surplus	(119 990 483)	(119 990 483)
Increase in receivables from non-exchange	119 990 483	119 990 483
Decrease in provision for doubtful debtors	(119 990 483)	(119 990 483)
Decrease in Revaluation Reserves	-	16 700 000
Decrease in land PPE	-	16 700 000
Decrease in provision for land fill	-	2 819 914
Decease in community assets	-	2 819 914
Increase in Accumulated depreciation	3 249 691	3 249 691
Increase in community assets	3 249 691	3 249 691
Decrease in accumulated surplus	(37 447)	(37 447)
Decrease in Accumulated depreciation	-	(15 123)
Decrease boooks	-	52 570
Decrease in books	-	(8 458)
Increase in accumulated surplus	8 460	8 460
Decrease in accumulated surplus	117 719 466	117 719 466
Statement of Financial Performance		
Decrease in Recoveries	117 719 466	117 719 466
Decrease on depreciation	-	23 179
Decrease in depreciation on community	433 335	43 335
Decrease on impairement loss	196 159	196 159

51. Receivables from exchange transactions

Trade debtors	(30 890 334)	(10 086 119)
Other receivables 1	66 747 408	70 428 227
Other debtors #10	44 181 358	40 646 212
Consumer debtors - Electricity	(47 887 877)	(20 565 759)
Consumer debtors - Refuse	(4 598 130)	13 591 351
	27 552 425	**94 013 912**

52. Receivables from non-exchange transactions

Fines	(146 709 787)	(54 134 967)
Consumer debtors - Rates	198 985 109	156 270 123
	52 275 322	**102 135 156**

Notes to the Annual Financial Statements

Figures in Rand

52. Receivables from non-exchange transactions (continued)

Notes to the Annual Financial Statements

Figures in Rand

53. Additional Note

Ba-Phalaborwa Local Municipality
Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	115 381 744	-	-	-	(16 708 259)	-	98 673 485	-	-	-	-	-	-	98 873 485
Buildings	326 485 659	152 173	-	-	-	-	326 637 832	(191 401 708)	-	-	(11 984 386)	-	(203 386 094)	123 251 738
	441 867 403	152 173	-	-	(16 708 259)	-	425 311 317	(191 401 708)	-	-	(11 984 386)	-	(203 386 094)	221 925 223
Infrastructure														
HV Network(>33kv)	13 314 797	-	-	-	-	-	13 314 797	(5 988 579)	-	-	(273 295)	-	(6 259 874)	7 054 923
Stormwater assets	25 332 392	3 191	-	-	-	-	25 335 583	(7 342 432)	-	-	(528 764)	-	(7 869 196)	17 466 387
Kerb	2 462 188	-	-	-	-	-	2 462 188	(31 189)	-	-	(49 244)	-	(80 433)	2 381 755
LV Network (<1000V)	24 777 111	-	-	-	-	-	24 777 111	(7 918 886)	-	-	(638 674)	-	(8 557 560)	16 219 551
MV CU and AL cable	38 873 449	54 592	-	-	-	-	38 928 041	(22 244 251)	-	-	(883 854)	-	(23 108 105)	15 819 936
MV Network (<=33kV)	101 395 591	-	-	-	-	-	101 395 591	(48 765 718)	-	-	(4 289 432)	-	(53 035 150)	48 360 441
Railside assets	97 982	-	-	-	-	-	97 982	(60 422)	-	-	(6 532)	-	(66 954)	31 028
Reticulation	674	-	-	-	-	-	674	(519)	-	-	(13)	-	(532)	142
Road bridges	14 987 765	-	-	-	-	-	14 967 765	(3 157 555)	-	-	(187 097)	-	(3 344 652)	11 623 113
Roadside assets	150 393 426	187 879	-	-	-	-	150 581 305	(73 595 346)	-	-	(4 491 864)	-	(78 087 210)	72 494 095
Roads	396 456 308	1 840 140	-	-	-	-	398 296 448	(226 357 259)	-	-	(19 831 708)	-	(246 188 965)	152 107 483
Road surface	31 227 370	4 889 050	-	-	-	-	36 116 420	(1 018 043)	-	-	(1 711 372)	-	(2 727 415)	33 389 005
Road furniture	5 293 696	-	-	-	-	-	5 293 696	(84 987)	-	-	(132 689)	-	(217 676)	5 076 020
	804 592 749	6 974 852	-	-	-	-	811 567 601	(398 581 186)	-	-	(32 982 536)	-	(429 543 722)	382 023 879
Community Assets														
Building	207 201 650	-	-	-	-	-	207 201 650	(112 552 496)	-	-	(6 899 264)	-	(119 451 760)	87 749 890
Carports	3 922 112	-	-	-	-	-	3 922 112	(609 567)	-	-	(134 965)	-	(744 532)	3 177 580
Guard room	-	78 421	-	-	-	-	78 421	-	-	-	(215)	-	(215)	78 206
Other facilities	2 652 199	-	-	-	-	-	2 652 199	(1 336 440)	-	-	(123 102)	-	(1 459 542)	1 192 657
Paving	8 962 736	284 500	-	-	-	-	9 247 236	(2 245 054)	-	-	(458 590)	-	(2 703 644)	6 543 592
Perimetre Fencing	5 694 997	75 850	-	-	-	-	5 770 847	(1 780 203)	-	-	(232 447)	-	(2 012 650)	3 758 197
Signs	36 431	-	-	-	-	-	36 431	(20 848)	-	-	(2 429)	-	(23 277)	13 154
Stadium with separated buildings	87 312 943	-	-	-	-	-	87 312 943	(50 122 031)	-	-	(2 910 431)	-	(53 032 462)	34 280 481
Street lights	809 488	-	-	-	-	-	809 488	(421 614)	-	-	(20 237)	-	(441 851)	367 637
Landfill sites	68 942 807	-	-	-	-	-	68 942 807	-	-	-	-	-	-	68 942 807
	385 535 363	438 771	-	-	-	-	385 974 134	(169 088 253)	-	-	(10 781 680)	-	(179 869 933)	206 104 201

Ba-Phalaborwa Local Municipality
Ba-Phalaborwa Local Municipality
Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Library books														
Books	69 538	-	-	-	-	-	69 538	(21 237)	-	-	(23 179)	-	(44 416)	25 122
	69 538	**-**	**-**	**-**	**-**	**-**	**69 538**	**(21 237)**	**-**	**-**	**(23 179)**	**-**	**(44 416)**	**25 122**
Work in Progress														
Work in progress	87 039 259	31 077 101	-	(11 456 954)	-	(31 294 769)	75 364 637	-	-	-	-	-	-	75 364 637
	87 039 259	**31 077 101**	**-**	**(11 456 954)**	**-**	**(31 294 769)**	**75 364 637**	**-**	**-**	**-**	**-**	**-**	**-**	**75 364 637**
Other assets - Movables														
Computer equipment	3 225 511	-	-	-	-	-	3 225 511	(15 652 227)	-	-	(944 575)	(2 818 999)	(19 213 801)	(15 988 290)
Furniture and fittings	8 868 770	-	-	-	-	-	8 868 770	(1 863 352)	-	-	(270 684)	(70 381)	(2 204 417)	6 664 353
Machinery and equipment	5 023 795	-	-	-	-	-	5 023 795	(5 560 218)	-	-	(811 060)	(251 747)	(6 423 025)	(1 399 230)
Office Equipment	69 824	-	-	-	-	-	69 824	(54 301)	-	-	(4 964)	(1 010)	(60 275)	9 549
Vehicles	25 382 759	-	-	-	-	-	25 382 759	(1 641 801)	-	-	(442 960)	(186 522)	(2 271 283)	23 111 476
	42 570 659	**-**	**-**	**-**	**-**	**-**	**42 570 659**	**(24 771 899)**	**-**	**-**	**(2 274 243)**	**(3 126 659)**	**(30 172 801)**	**12 397 858**

Ba-Phalaborwa Local Municipality
Ba-Phalaborwa Local Municipality
Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	441 867 403	152 173	-	-	(16 708 259)	-	**425 311 317**	(191 401 708)	-	-	(11 984 386)	-	**(203 386 094)**	221 925 223
Infrastructure	804 592 749	6 974 852	-	-	-	-	**811 567 601**	(396 561 186)	-	-	(32 982 536)	-	**(429 543 722)**	382 023 879
Community Assets	385 535 363	438 771	-	-	-	-	**385 974 134**	(169 088 253)	-	-	(10 781 680)	-	**(179 869 933)**	206 104 201
Library books	69 538	-	-	-	-	-	**69 538**	(21 237)	-	-	(23 179)	-	**(44 416)**	25 122
Work in Progress	87 039 259	31 077 101	-	(11 456 954)	-	**(31 294 769)**	**75 364 637**	-	-	-	-	-	-	75 364 637
Other assets - Movables	42 570 659	-	-	-	-	-	**42 570 659**	(24 771 899)	-	-	(2 274 243)	(3 126 659)	**(30 172 801)**	12 397 858
	1 761 674 971	**38 642 897**	-	**(11 456 954)**	**(16 708 259)**	**(31 294 769)**	**1 740 857 886**	**(781 844 283)**	-	-	**(58 046 024)**	**(3 126 659)**	**(843 016 966)**	**897 840 920**
Agricultural/Biological assets														
Biological assets	**343 743**	-	-	-	-	-	**343 743**	-	-	-	-	(343 743)	**(343 743)**	-
	343 743	-	-	-	-	-	**343 743**	-	-	-	-	**(343 743)**	**(343 743)**	-
Intangible assets														
Microsoft - operating software	2 081 790	-	-	-	-	-	**2 061 790**	(416 877)	-	-	(412 358)	-	**(829 235)**	1 232 555
Other	87 399	-	-	-	-	-	**87 399**	(17 266)	-	-	(17 480)	-	**(34 746)**	52 853
	2 149 189	-	-	-	-	-	**2 149 189**	**(434 143)**	-	-	**(429 838)**	-	**(863 981)**	**1 285 208**
Investment properties														
Investment property	42 999 369	-	-	-	-	-	**42 999 369**	-	-	-	-	-	-	42 999 369
	42 999 369	-	-	-	-	-	**42 999 369**	-	-	-	-	-	-	**42 999 369**
Total														
Land and buildings	441 867 403	152 173	-	-	(16 708 259)	-	**425 311 317**	**(191 401 708)**	-	-	(11 984 386)	-	**(203 386 094)**	221 925 223
Infrastructure	804 592 749	6 974 852	-	-	-	-	**811 567 601**	(396 561 186)	-	-	(32 982 536)	-	**(429 543 722)**	382 023 879
Community Assets	385 535 363	438 771	-	-	-	-	**385 974 134**	(169 088 253)	-	-	(10 781 680)	-	**(179 869 933)**	206 104 201
Library books	69 538	-	-	-	-	-	**69 538**	(21 237)	-	-	(23 179)	-	**(44 416)**	25 122
Work in Progress	87 039 259	31 077 101	-	(11 456 954)	-	**(31 294 769)**	**75 364 637**	-	-	-	-	-	-	75 364 637
Other assets - Movables	42 570 659	-	-	-	-	-	**42 570 659**	(24 771 899)	-	-	(2 274 243)	(3 126 659)	**(30 172 801)**	12 397 858
Agricultural/Biological assets	343 743	-	-	-	-	-	**343 743**	-	-	-	-	(343 743)	**(343 743)**	-
Intangible assets	2 149 189	-	-	-	-	-	**2 149 189**	(434 143)	-	-	(429 838)	-	**(863 981)**	1 285 208
Investment properties	42 999 369	-	-	-	-	-	**42 999 369**	-	-	-	-	-	-	42 999 369
	1 807 167 272	**38 642 897**	-	**(11 456 954)**	**(16 708 259)**	**(31 294 769)**	**1 786 350 187**	**(782 278 426)**	-	-	**(58 475 862)**	**(3 470 402)**	**(844 224 690)**	**942 125 497**

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Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	115 381 744	-	-	-	(16 700 000)	-	**98 681 744**	-	-	-	-	-	-	98 681 744
Buildings	326 234 043	251 616	-	-	-	-	**326 485 659**	(179 428 723)	-	-	(11 972 985)	-	**(191 401 708)**	135 083 951
	441 615 787	**251 616**	-	-	**(16 700 000)**	-	**425 167 403**	**(179 428 723)**	-	-	**(11 972 985)**	-	**(191 401 708)**	**233 765 695**
Infrastructure														
HV Network (>33kv)	13 314 797	-	-	-	-	-	**13 314 797**	(5 713 283)	-	-	(273 296)	-	**(5 986 579)**	7 328 218
Kerb	72 817	2 389 370	-	-	-	-	**2 462 187**	(2 785)	-	-	(28 403)	-	**(31 188)**	2 430 999
LV Network	24 777 111	-	-	-	-	-	**24 777 111**	(7 280 212)	-	-	(638 674)	-	**(7 918 886)**	16 858 225
Mv cu and AL cable	38 873 449	-	-	-	-	-	**38 873 449**	(21 380 397)	-	-	(863 854)	-	**(22 244 251)**	16 629 198
MV Network	101 299 052	96 539	-	-	-	-	**101 395 591**	(44 498 370)	-	-	(4 267 349)	-	**(48 765 719)**	52 629 872
Railside assets	97 982	-	-	-	-	-	**97 982**	(53 890)	-	-	(6 532)	-	**(60 422)**	37 560
Reticulation	674	-	-	-	-	-	**674**	(506)	-	-	(13)	-	**(519)**	155
Road bridges	14 967 765	-	-	-	-	-	**14 967 765**	(2 870 458)	-	-	(187 097)	-	**(3 157 555)**	11 810 210
Road furniture	2 774	5 290 822	-	-	-	-	**5 293 696**	(354)	-	-	(84 633)	-	**(84 987)**	5 208 709
Road surface	223 761	31 003 609	-	-	-	-	**31 227 370**	(9 931)	-	-	(1 008 111)	-	**(1 018 042)**	30 211 328
Roads	395 623 312	832 995	-	-	-	-	**396 456 307**	(206 539 224)	-	-	(19 818 036)	-	**(226 357 260)**	170 099 047
Roadside assets	148 239 945	2 153 481	-	-	-	-	**150 393 426**	(69 136 871)	-	-	(4 458 475)	-	**(73 595 346)**	76 798 080
Stormwater assets	25 332 392	-	-	-	-	-	**25 332 392**	(6 815 672)	-	-	(526 760)	-	**(7 342 432)**	17 989 960
	763 025 831	**41 566 916**	-	-	-	-	**804 592 747**	**(364 401 853)**	-	-	**(32 159 233)**	-	**(396 561 186)**	**408 031 561**
Community Assets														
Buildings	207 201 850	64 950	-	-	-	-	**207 266 600**	(105 417 114)	-	-	(6 906 604)	(228 778)	**(112 552 496)**	94 714 104
Carports	3 922 122	126 850	-	-	-	-	**4 048 972**	(476 872)	-	-	(132 695)	-	**(609 567)**	3 439 405
Other facilities	2 652 199	-	-	-	-	-	**2 652 199**	(1 213 338)	-	-	(123 102)	-	**(1 336 440)**	1 315 759
Paving	8 962 736	44 691	-	-	-	-	**9 007 427**	(1 793 367)	-	-	(451 688)	-	**(2 245 055)**	6 762 372
Perimetre fencing	5 694 997	97 471	-	-	-	-	**5 792 468**	(1 550 424)	-	-	(229 779)	-	**(1 780 203)**	4 012 265
Signs	36 431	-	-	-	-	-	**36 431**	(18 420)	-	-	(2 429)	-	**(20 849)**	15 582
Street lights	809 488	-	-	-	-	-	**809 488**	(401 376)	-	-	(20 237)	-	**(421 613)**	387 875
Stadium with separated buildings	87 312 943	-	-	-	-	-	**87 312 943**	(47 211 600)	-	-	(2 910 431)	-	**(50 122 031)**	37 190 912
Landfill sites	16 671 000	-	-	-	-	**35 600 807**	**52 271 807**	(4 098 000)	-	-	(3 025 784)	-	**(7 123 784)**	45 148 023
	333 263 566	**333 962**	-	-	-	**35 600 807**	**369 198 335**	**(162 180 511)**	-	-	**(13 802 749)**	**(228 778)**	**(176 212 038)**	**192 986 297**

Ba-Phalaborwa Local Municipality

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Library books														
Books	36 145	33 392	-	-	-	-	69 537	(4 736)	-	-	(16 501)	-	(21 237)	48 300
	36 145	**33 392**	-	-	-	-	**69 537**	**(4 736)**	-	-	**(16 501)**	-	**(21 237)**	**48 300**
Work in progress														
Work in progress	36 774 888	50 264 371	(31 294 769)	-	-	-	55 744 490	-	-	-	-	-	-	55 744 490
	36 774 888	**50 264 371**	**(31 294 769)**	-	-	-	**55 744 490**	-	-	-	-	-	-	**55 744 490**
Other assets														
Computer Equipment	3 225 511	214 459	-	-	-	-	3 439 970	(2 451 248)	-	-	(144 736)	-	(2 595 984)	843 986
Furniture & Fittings	11 879 444	598 051	-	-	-	-	12 477 495	(7 337 323)	-	-	(1 309 618)	-	(8 646 941)	3 830 554
Machinery and equipment	5 023 795	310 503	-	-	-	-	5 334 298	(2 760 536)	-	-	(566 117)	-	(3 326 653)	2 007 645
Office Equipment	69 824	625 981	-	-	-	-	695 805	(64 793)	-	-	(41 164)	-	(105 957)	589 848
Vehicles	25 382 759	-	-	-	-	-	25 382 759	(19 824 391)	-	-	(318 925)	-	(20 143 316)	5 239 443
	45 581 333	**1 748 994**	-	-	-	-	**47 330 327**	**(32 438 291)**	-	-	**(2 380 560)**	-	**(34 818 851)**	**12 511 476**

Ba-Phalaborwa Local Municipality
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June 2017

Analysis of property, plant and equipment as at 30 June 2016

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	441 615 787	251 616	-	-	(18 700 000)	-	425 167 403	(179 428 723)	-	-	(11 972 985)	-	(191 401 708)	233 765 695
Infrastructure	763 025 831	41 566 916	-	-	-	-	804 592 747	(364 401 953)	-	-	(32 159 233)	-	(396 561 186)	408 031 561
Community Assets	333 263 566	333 982	-	-	-	35 600 807	369 198 335	(162 180 511)	-	-	(13 802 749)	(228 778)	(176 212 038)	192 988 297
Library books	36 145	33 392	-	-	-	-	69 537	(4 736)	-	-	(16 501)	-	(21 237)	48 300
Work in progress	36 774 888	50 264 371	(31 294 769)	-	-	-	55 744 490	-	-	-	-	-	-	55 744 490
Other assets	45 581 333	1 748 994	-	-	-	-	47 330 327	(32 438 291)	-	-	(2 380 560)	-	(34 818 851)	12 511 478
	1 620 297 550	94 199 251	(31 294 769)	-	(16 700 000)	35 600 807	1 702 102 839	(738 454 214)	-	-	(60 332 028)	(228 778)	(799 015 020)	903 087 819
Agricultural/Biological assets														
Biological assets	343 743	-	-	-	(77 080)	-	266 663	-	-	-	-	-	-	266 883
	343 743	-	-	-	(77 080)	-	266 663	-	-	-	-	-	-	266 663
Intangible assets														
Microsoft - Server Operating software & programming	2 081 790	-	-	-	-	-	2 061 790	(416 877)	-	-	(412 358)	-	(829 235)	1 232 555
Other	87 399	-	-	-	-	-	87 399	(17 266)	-	-	(17 480)	-	(34 746)	52 853
	2 149 189	-	-	-	-	-	2 149 189	(434 143)	-	-	(429 838)	-	(863 981)	1 285 208
Investment properties														
Investment property	42 999 369	-	-	-	858 631	-	43 858 000	-	-	-	-	-	-	43 858 000
	42 999 369	-	-	-	858 631	-	43 858 000	-	-	-	-	-	-	43 858 000
Total														
Land and buildings	441 815 787	251 616	-	-	(16 700 000)	-	425 167 403	(179 428 723)	-	-	(11 972 985)	-	(191 401 708)	233 765 695
Infrastructure	763 025 831	41 566 916	-	-	-	-	804 592 747	(364 401 953)	-	-	(32 159 233)	-	(396 561 186)	408 031 561
Community Assets	333 263 568	333 962	-	-	-	35 600 807	369 198 335	(162 180 511)	-	-	(13 802 749)	(228 778)	(176 212 038)	192 986 297
Library books	36 145	33 392	-	-	-	-	69 537	(4 736)	-	-	(16 501)	-	(21 237)	48 300
Work in progress	38 774 888	50 264 371	(31 294 769)	-	-	-	55 744 490	-	-	-	-	-	-	55 744 490
Other assets	45 581 333	1 748 994	-	-	-	-	47 330 327	(32 438 291)	-	-	(2 380 560)	-	(34 818 851)	12 511 476
Agricultural/Biological assets	343 743	-	-	-	(77 080)	-	266 663	-	-	-	-	-	-	266 663
Intangible assets	2 149 189	-	-	-	-	-	2 149 189	(434 143)	-	-	(429 838)	-	(863 981)	1 285 208
Investment properties	42 999 369	-	-	-	858 631	-	43 858 000	-	-	-	-	-	-	43 858 000
	1 665 789 851	94 199 251	(31 294 769)	-	(15 918 449)	35 600 807	1 748 376 691	(738 888 357)	-	-	(60 761 866)	(228 778)	(799 879 001)	948 497 690

Ba-Phalaborwa Local Municipality
Appendix E(1)
June 2017

Year to Date

	Forecast # 1 2017 Act. Bal. Rand	Forecast # 1 2017 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	-	133 683 465	(133 683 465)	(100.0)	Low consumption of services by consumers
Rental of facilities and equipment	-	469 935	(469 935)	(100.0)	Less Bookings of municipal facilities
Agency services	-	2 538 653	(2 538 653)	(100.0)	Less drivers licence applications were received in the current year.
Licences and permits	-	11 205 291	(11 205 291)	(100.0)	Less drivers licence applications were received in the current year.
Property rates	-	106 775 526	(106 775 526)	(100.0)	
Grants and subsidies	-	143 613 000	(143 613 000)	(100.0)	Land Inventory was sold during the year under review and such activity was not budgeted for
Other income	1 555 108	2 051 039	(495 931)	(24.2)	Increased due to connection fees received
Interest received - investment	33 197 280	72 548 085	(39 350 805)	(54.2)	Interest decreased due to rebates on property rates approved by council.
	34 752 388	472 884 994	(438 132 606)	(92.7)	
Expenses					
Personnel	-	(132 627 403)	132 627 403	(100.0)	Variance not substantial
Remuneration of councillors	-	(13 784 169)	13 784 169	(100.0)	Variance not substantial
Administration	(892 103)	-	(892 103)	-	
Depreciation	(62 557 479)	(65 899 421)	3 341 942	(5.1)	
Amortisation	(429 838)	-	(429 838)	-	
Impairments	(66 031 881)	(35 525 076)	(30 506 805)	85.9	Council Resolution on Property Rates
Finance costs	(1 214 925)	(719 033)	(495 892)	69.0	Due to late payment of creditors which was not budgeted for.
Repairs and maintenance - General	(13 816 259)	(19 179 143)	5 362 884	(28.0)	
Bulk purchases	(74 560 364)	(92 258 921)	17 698 557	(19.2)	Less amount was incurred due to financial constraints
Contracted Services	(30 486 614)	(43 801 879)	13 315 265	(30.4)	Financial Constraints and other contract expired
Cost of land inventory sold	(3 390 000)	-	(3 390 000)	-	Land inventory was sold during the year under review and such activity was not budgeted for
General Expenses	(184 581 243)	(66 734 399)	(117 846 844)	176.6	Financial Constraints.
	(437 960 706)	(470 529 444)	32 568 738	(6.9)	
Other revenue and costs	737 322	-	737 322	-	
Net surplus/ (deficit) for the year	(402 470 996)	2 355 550	(404 826 546)	186.1)	